



Arnold Schwarzenegger  
Governor

July 14, 2010  
22M:393:mem:9059:9060

Ms. Mary Donovan, Employment and Training Manager II  
Marin Employment Connection  
120 N. Redwood Drive, 3<sup>rd</sup> Floor  
San Rafael, CA 94903

Dear Ms. Donovan:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the Marin Employment Connection's (MEC) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Molly Maloney from April 27, 2009, through April 30, 2009. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, cost/resource sharing, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients, and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, contract terms and agreements, and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by MEC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2008-09.

We collected the information for this report through interviews with representatives of MEC, a review of applicable policies and procedures, and a review of documentation retained by MEC for a sample of expenditures and procurements for PY 2008-09.

We received a response to finding two by e-mail on October 29, 2009, and reviewed the comments and documentation before finalizing this report. Finding one was resolved prior to draft. Because your response adequately addressed finding two cited in the draft report and we verified the implementation of your stated corrective action plan during our fiscal and procurement review the week of June 28 through July 1, 2010, we consider this issue resolved.

### **BACKGROUND**

The MEC was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2008-09, MEC was allocated: \$300,895 to serve 153 adult participants; \$205,506 to serve 98 youth participants; and \$441,625 to serve 23 dislocated worker participants.

For the quarter ending March 30, 2009, MEC reported the following expenditures and enrollments for its WIA programs: \$221,044 to serve 125 adult participants; \$181,580 to serve 61 youth participants; and \$328,635 to serve 18 dislocated worker participants.

### **FISCAL REVIEW RESULTS**

While we concluded that, overall, MEC is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of accruals. The finding that we identified in this area, our recommendation, and MEC proposed resolution of the finding is specified below.

### **FINDING 1**

**Requirement:** 29 CFR Section 97.20(b)(1) states, in part, that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

20 CFR Section 667.300(b)(1) states, in part, that a State may impose different forms or formats, shorter due dates, and more frequent reporting requirements on subrecipients.

WIA Directive (WIAD) 06-4 states, in part, that all WIA grant recipients are required to report expenditures on an accrual basis and must submit quarterly expenditure reports. Quarterly expenditures (including accruals) and obligations must be reported on a cumulative basis and a separate expenditure report must be filed for each line item or grant code. Additionally,

accrued expenditures and cash expenditures must be reported separately in quarterly reports.

**Observation:** MEC did not report accrued expenses for services rendered by their subrecipient Marin County of Education School to Career Partnership from July 2008 through December 2008. A miscommunication regarding the status of the contract extension led to the nonreporting of accruals. The contract was extended for the current program year, the payments for services were caught up in April 2009 and accruals are now being reported.

Subsequent to our review, we observed that MEC is reporting accruals for quarters ending June 2009 and September 2009.

We consider this issue resolved.

## **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, MEC is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of contract language. The finding that we identified in this area, our recommendation, and MEC's proposed resolution of the finding is specified below.

### **FINDING 2**

**Requirement:** 29 CFR Section 95.48(a) states, in part, that contracts in excess of the small purchase threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.

**Observation:** We reviewed MEC's contract for Marin County of Education's School to Career Partnership and found that the contract lacked provisions for administrative, contractual, or legal remedies in instances of contractual violation.

**Recommendation:** We recommended that MEC provide CRO with a CAP, including a timeline, stating how it will include the provisions required above in current and future WIA contracts.

**MEC Response:** The MEC provided a couple of options of new contract language that will suffice to satisfy the requirement.

**State Conclusion:** The MEC's new contract language should be sufficient to resolve this issue and no further corrective action is required. We verified MEC's successful implementation of its stated corrective action during our fiscal and procurement review the week of June 28 through July 1, 2010. We consider this issue resolved.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is MEC's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain MEC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Terri Austin, MIC 50  
Jose Luis Marquez, MIC 50  
Dathan O. Moore, MIC 50  
Daniel Patterson, MIC 45